

Message Text

CONFIDENTIAL

PAGE 01 BERLIN 05701 01 OF 02 141057Z

15

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

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AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01

COME-00 ACDA-05 /082 W

----- 008623

R 140823Z MAY 75

FM AMEMBASSY BERLIN

TO SECSTATE WASHDC 808

C O N F I D E N T I A L SECTION 1 OF 2 BERLIN 5701

FOR ASSISTANT SECRETARY HARTMAN FROM AMBASSADOR COOPER

E.O. 11652: GDS

TAGS: ETRD, PFOR, GE, US

SUBJECT: US-GDR TRADE RELATIONS

SUMMARY

THE TIME HAS COME FOR THE US TO ADOPT A POSITIVE POSITION ON ENCOURAGING US-GDR TRADE. SUCH AN ATTITUDE IS WARRANTED FOR THE ECONOMIC BENEFITS THAT COULD ACCRUE TO THE US, FOR SUCH INFLUENCE AS IT CAN HAVE ON DETENTE, AND FOR ITS HELPFULNESS TO FRG/GDR RELATIONS. IN THE BELIEF THAT OFFICIAL US/GDR CONTACTS COULD SERVE TO CLEAR AWAY MISUNDERSTANDINGS ON THE GDR SIDE REGARDING OUR INTENTIONS, I INTEND TO PROPOSE, WITH THE DEPARTMENT'S CONCURRENCE, THAT TRADE TALKS IN BERLIN BETWEEN GDR FOREIGN TRADE MINISTRY STATE SECRETARY GERHARD BEIL AND DEPUTY ASSISTANT SECRETARY OF COMMERCE ARTHUR DOWNEY BEGIN IN THE NEAR FUTURE. I RECOMMEND ALSO THAT BEIL BE INVITED TO VISIT THE US AT AN APPROPRIATE TIME. ACTION REQUEST. DEPARTMENT'S INSTRUCTIONS. END SUMMARY.

1. IN A CONVERSATION WITH EMBASSY ECON/COMM OFFICER,
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PAGE 02 BERLIN 05701 01 OF 02 141057Z

FELIX BLOCH ON MAY 6 THE GDR FOREIGN TRADE MINISTRY'S

USA DESK OFFICER, FRITZ SCHMIED, TOLD BLOCH THAT HE WANTED TO DISCUSS US/GDR TRADE RELATIONS UPON HIS RETURN TO BERLIN ABOUT MAY 15. SUCH A MEETING WOULD OBVIOUSLY CENTER UPON STATE SECRETARY BEIL'S PROPOSAL TO ME AT THE LEIPZIG FAIR BUSINESS DEVELOPMENT OFFICE ON MARCH 10 ALONG WITH THE LIMITED PROPOSAL WHICH I MADE TO HIM AND WHICH I HAD PREVIOUSLY SUGGESTED TO FIRST SECRETARY HONECKER DURING MY VISIT WITH HIM ON FEBRUARY 27 I CALL ATTENTION TO BERLIN 5316 CONCERNING MY MEETING WITH HONECKER AND BERLIN 5417 CONCERNING OUR MEETING WITH BEIL.

2. AS BLOCH SHOULD RESPOND TO SCHMIED ABOUT MAY 15, OR SOON THEREAFTER, I CONSIDER THAT THE MEETINGS WITH HONECKER AND BEIL REFERRED TO ABOVE AS WELL AS MANY INTERVENTIONS BY THE GDR ABOUT US/GDR TRADE REFERRED TO IN PRIOR MESSAGES HAVE BROUGHT THE DEPARTMENT TO A TIME OF DECISION WHEN IT SHOULD RESPOND TO THE GDR.

3. I URGED IN MY RECENT CONSULTATIONS WITH DEPARTMENT OFFICIALS THAT THE US SHOULD ADOPT A POSITIVE POSITION ENCOURAGING TRADE FOR THE FOLLOWING REASONS:

A. THE POSSIBILITY OF INCREASING TRADE AT PRESENT IS NOT LARGE, BUT CONSIDERING THE TRADE ACT IT OFFERS SOME ADVANTAGE TO THE US DUE TO ITS PRESENT ECONOMIC CONDITION. OUR ALLIES IN BERLIN, THE FRENCH AND BRITISH, AS WELL AS OUR NATO ALLIES AND OTHER FRIENDLY COUNTRIES, INCLUDING JAPAN, TRADE WITH THE GDR ON AN MFN BASIS. THEIR REPRESENTATIVES HAVE TOLD ME THAT THEY DO SO FAR ECONOMIC ADVANTAGE BUT ALSO FOR BETTERMENT OF POLITICAL RELATIONSHIPS AND TO ASSIST THE POLICY OF DETENTE. MFN STATUS FOR THE GDR IS NOT SUGGESTED BY THIS MESSAGE.

B. I HAVE BEEN INFORMED REPEATEDLY BY REPRESENTATIVE GAUS OF THE FRG THAT THE FRG CONSIDERS A MORE FLEXIBLE POSITION ON TRADE BY THE US WOULD SUPPORT FRG/GDR RELATIONS. THE FRG AND GDR ENGAGE IN TRADE OF AN APPROXIMATE VALUE OF \$2.5 BILLION AND ARE ENGAGED IN DELICATE NEGOTIATIONS WHICH GAUS CONSIDERS OF GREAT IMPORTANCE TO THE FRG.

C. I ARGUE FOR A TRADE PROGRAM FOR THE INFLUENCE IT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BERLIN 05701 01 OF 02 141057Z

COULD HAVE ON DETENTE. AS I HAVE REPORTED, EASTERN EUROPEAN REPRESENTATIVES HAVE TOLD ME THAT THE TRADE ACT AND THE EXECUTIVE-CONGRESSIONAL CONFLICT GIVE THEM CONCERN THAT DETENTE IS IN A PROCESS OF DETERIORATION IN THE US. THE GDR IS ECONOMICALLY, MILITARILY AND GEOGRAPHICALLY THE MOST IMPORTANT MEMBER OF THE WARSAW PACT AND FOLLOWS CLOSELY THE SOVIET LINE. GDR OFFICIALS, INCLUDING HONECKER SPEAK OF THE NECESSITY

OF IMPROVING RELATIONS BETWEEN THE USSR AND THE US
AND THE GDR COULD HAVE SOME INFLUENCE, HOWEVER, SMALL,
ON THE USSR IN SUPPORT OF DETENTE.

CONFIDENTIAL

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PAGE 01 BERLIN 05701 02 OF 02 141135Z

41

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R 140823Z MAY 75

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C O N F I D E N T I A L SECTION 2 OF 2 BERLIN 5701

D. A FURTHER ARGUMENT WHICH I MADE TO MANY
DEPARTMENT OFFICIALS CONCERNS OUR PRESENT DIFFICULT
ECONOMIC SITUATION, REPORTS OF NON-COOPERATION OF
CONGRESS WITH THE EXECUTIVE AND INTERNATIONAL SITUATIONS.
THIS MESSAGE RECOGNIZES THE EFFORTS OF THE US TO REACH
PEACEFUL INTERNATIONAL SOLUTIONS, TO EXERT POSITIVE
DETENTE LEADERSHIP AND ORGANIZE EFFECTIVE ECONOMIC COOPER-
ATION. NEVERTHELESS, US DIFFICULTIES HAVE CAUSED UNEASE
AND UNCERTAINTY ABOUT US ECONOMIC AND DEFENSE CAPABILITIES
AND, MOST IMPORTANT, ITS WILL AND CAPABILITY TO FULFILL
ITS INTERNATIONAL COMMITMENTS. IT IS OF THE UTMOST
IMPORTANCE THAT THE US DEMONSTRATE IN EVERY PRACTICABLE
AND PEACEFUL WAY ITS SELF CONFIDENCE AND ITS STRENGTH
AT HOME AND ABROAD AND IN ITS FUTURE.

WITH RESPECT TO THE GDR WHICH APPEARS TO BE CONFUSED
ABOUT OUR PURPOSES AND TO SUSPECT THAT WE ARE NOT ACTING
IN GOOD FAITH ON THE SEPTEMBER 4 AGREEMENT, I URGE THAT
WE TAKE THE INITIATIVE ON ALL ITS SUBJECTS, WITHOUT
LINKAGE, INCLUDING TRADE. THIS DOES NOT MEAN THAT WE HAVE
ANY OBLIGATION TO AGREE WITH THE GDR, WHICH IS AGGRESSIVE
AND PROBABLY EXPECTS TOO MUCH, BUT SUCH A POSITIVE PROGRAM

BY THE US WOULD EXHIBIT TO THE GDR THE CONFIDENCE OF THE
US IN ITS WORLDWIDE POSITION.

E. THE US/GDR PRESENT POSITION AROSE IN PART FROM
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PAGE 02 BERLIN 05701 02 OF 02 141135Z

THE CANCELLATION OF THE BEIL VISIT TO THE US WHICH THE
GDR CONSIDERS A BREACH OF GOOD FAITH BY THE US AT THE
BEGINNING OF OUR RELATIONS. I THOUGHT THE CANCELLATION
UNFORTUNATE EVEN THOUGH I AGREED WITH THE MERITS OF
THE US POSITION, AND CONSIDER THE CONTINUING REFERENCE
BY THE GDR TO THE BEIL VISIT AS AN INDICATION OF BOTH
ITS SENSITIVITY AND INSENSITIVITY AND AN UNWORTHY
EXAMPLE OF THE GDR APPEARING TO CENTER OUR RELATIONS
ON THE INCIDENT OF THE BEIL VISIT. NEVERTHELESS, IT
HAS AFFECTED PROPER RELATIONS WITH THE GDR.

THE EMBASSY HAS FOLLOWED FAITHFULLY THE INSTRUCTIONS
OF THE DEPARTMENT. WHILE MAKING OUR SUGGESTIONS BASED
ON SOME EXPERIENCE, IT SUPPORTS THE POLICIES OF THE
US INCLUDING THE IMPORTANT SUPPORT OF US/FRG POLICIES.

4. I MAKE THE FOLLOWING RECOMMENDATIONS AS I DID
DURING MY CONSULTATION WITH DEPARTMENT OFFICIALS IN
WASHINGTON;

A. THE DEPARTMENT SHOULD APPROVE AT EARLIEST DATE
A MEETING OF A FEW DAYS IN EAST BERLIN BETWEEN BEIL
OR HIS REPRESENTATIVE, DOWNEY OF COMMERCE, BLOCH
AND, IF THE DEPARTMENT CONSIDERS APPROPRIATE, AS I
DO, A DEPARTMENT OFFICIAL CONCERNED WITH TRADE. WHILE
NOT EXPERTS ON TRADE, DCM OR I COULD BE PRESENT TO
UNDERLINE US INTEREST AND TO RESPOND TO ANY POLITICAL ARGUMENTS
THAT MIGHT BE MADE BY BEIL. IT IS IMPORTANT THAT SUCH A MEETING BE
HELD BEFORE THE DEPARTURE OF BLOCH IN EARLY JULY
BECAUSE HE IS CLEARLY MOST FAMILIAR WITH TRADE PROBLEMS.
IF SUCH A MEETING SHOULD BE DELAYED UNTIL AFTER HIS
DEPARTURE, IT WOULD BE NECESSARY FOR HIS SUCCESSOR
TO FAMILIARIZE HIMSELF WITH THESE ISSUES AND WOULD
FURTHER DELAY SUCH A MEETING AND PERPETUATE THE
PRESENT MISUNDERSTANDINGS. WHILE BEIL APPEARS TO BE
OBSESSED BY THE CANCELLATION OF HIS VISIT, I THINK IT
IMPORTANT THAT HE BE PRESENT AT THE MEETING. I HAVE BEEN
TOLD BY NON-COMMUNIST REPRESENTATIVES OF THE DIPLOMATIC
CORPS THAT HE IS THE ONE OFFICIAL DESIGNATED BY THE
PARTY TO BE RESPONSIBLE FOR DECISIONS ON TRADE WITH
THE WEST.

B. THE PURPOSES OF THE MEETING WOULD BE:

1. TO INFORM GDR SPECIFICALLY OF THE PROHIBITIONS
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PAGE 03 BERLIN 05701 02 OF 02 141135Z

OF THE TRADE ACT AND OTHER LEGISLATIVE PROHIBITIONS.

2. TO DISCUSS SUCH POSSIBILITIES AS ARE AVAILABLE FOR US/GDR TRADE, TAKING INTO CONSIDERATION THE ABOVE PROHIBITIONS.

3. IT IS POSSIBLE THAT SOME INSTITUTIONAL ARRANGEMENTS HELPFUL TO US PRIVATE TRADE COULD ARISE FROM THE MEETING. PRIVATE TRADE INTERESTS HAVE INDICATED THEIR DESIRE TO TRADE WITH THE GDR AND IT SEEMS INCOMPATIBLE TO US INTERESTS AND OUR FREE SYSTEM TO DENY PRIVATE BUSINESS SUCH OPPORTUNITIES AS MAY BE AVAILABLE.

4. SUCH FIRM SUGGESTIONS AS MIGHT BE REACHED AT THE PROPOSED MEETING AND ANY FURTHER PROPOSALS BY BEIL WOULD BE REPORTED TO THE DEPARTMENT FOR CONSIDERATION AND DECISION.

5. I RECOMMEND ALSO THAT BEIL BE INVITED TO VISIT THE US AT SUCH TIME AS WOULD BE APPROPRIATE IN LINE WITH THE SUGGESTION BY THE SECRETARY IN HIS DISCUSSION WITH AMBASSADOR SIEBER ON APRIL 23. SUCH AN INVITATION SHOULD SERVE TO DEFUSE GDR RESENTMENTS AND PROVIDE AN OPPORTUNITY FOR A THOROUGH EXCHANGE OF VIEWS WITH THE DEPARTMENT AND, IF APPROPRIATE, WITH OTHER AGENCIES.COOPER

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